Learning to Love Democracy: Electoral Accountability and the Success of Democracy

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This article explains why dissatisfaction with the performance of individual politicians in new democracies often turns into disillusionment with democracy as a political system. The demands on elections as an instrument of political accountability are much greater in new than established democracies: politicians have yet to form reputations, a condition that facilitates the entry into politics of undesirable candidates who view this period as their "one-time opportunity to get rich." After a repeatedly disappointing government performance, voters may rationally conclude that "all politicians are crooks" and stop discriminating among them, to which all politicians rationally respond by "acting like crooks," even if most may be willing to perform well in office if given appropriate incentives. Such an expectation-driven failure of accountability, which I call the "trap of pessimistic expectations," may precipitate the breakdown of democracy. Once politicians establish reputations for good performance, however, these act as barriers to the entry into politics of low-quality politicians. The resulting improvement in government performance reinforces voters' belief that democracy can deliver accountability, a process that I associate with democratic consolidation. These arguments provide theoretical microfoundations for several prominent empirical associations between the economic performance of new democracies, public attitudes toward democracy, and democratic stability.

Economic recessions are one of the most robust predictors of the breakdown of democracy. Between 1848 and 2008, a democracy was more than twice as likely to revert to dictatorship during an economic decline than during a period of economic growth. This association is especially relevant for young and poor democracies: when democracies break down, nine in ten do so before they are 20 years old or when their annual GDP per capita is less than $4,900.[1] Figure 1 illustrates this association by separately plotting the hazards of a democratic breakdown during economic recessions and expansions. The rise of the Nazi Party in the Weimar Republic amidst the hardship of the Great Depression and Russia's return to authoritarianism under Vladimir Putin following the chaos of its transition to democracy under Boris Yeltsin are merely two prominent examples of the existential danger that economic downturns present for young democracies.

Yet why democratic breakdowns frequently follow economic downturns is far from obvious. After all, democratic theorists from Madison (2010b) to Dahl (1971) emphasize that—unlike in a dictatorship—voters in a democracy have the unique opportunity to hold politicians accountable. Hence if Russian voters are dissatisfied with their democratic experience in the 1990s, they should blame politicians, not the political system—they should blame Yeltsin, not democracy. Democratic theory thus fails to account for a major consequence of a disappointing government performance in new democracies: widespread disillusionment with democracy followed by a return to authoritarianism.

In this article, I explain this puzzle. My arguments clarify why the demands on elections as an instrument of political accountability are much greater in new than established democracies. In any democracy, the success of electoral accountability critically depends on two
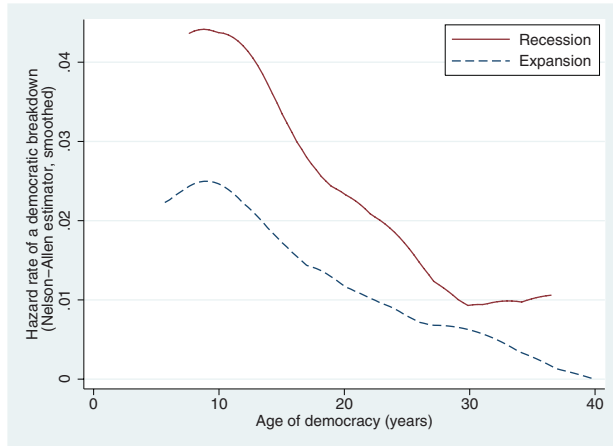
[1]GDP per capita is measured in 1990 international Geary-Khamis dollars and comes from Maddison (2008). Haggard and Kaufman (1995) provide an early analysis of the relationship between economic recessions and the breakdown of democracy. This association is robust to controlling for various covariates and estimation techniques; see, e.g., Bernhard, Nordstrom, and Reenock (2001), Boix (2003), Cheibub (2007), Kapstein and Converse (2008), Przeworski et al. (2000), and Svolik (2008).

FIGURE 1 **Nonparametric Estimates of the Hazard of Democratic Breakdowns during Economic Recessions (Annual Decline in GDP per Capita) and Expansions (Annual Increase in GDP per Capita), 1948–2007**

ship between government performance in new democracies, public attitudes toward democracy, and democratic stability. First, it provides microfoundations for the process by which repeated popular dissatisfaction with the performance of individual politicians turns into doubts about the value of democracy as a political system, thereby precipitating its breakdown. Second, the present model also clarifies the process by which elections succeed as an instrument of accountability in new democracies. We shall see that gradually improving political reputations play a key selection role in this process: they discourage undesirable candidate types from entering into politics, thus strengthening public support for democracy and facilitating a democracy's consolidation. And third, the present model accounts for a number of empirical associations prominently established in the literature on democratic transitions, especially those concerning the effect of government performance and economic development on public attitudes towards democracy and democratic stability.

In developing these arguments, I emphasize two features of posttransition politics that present a distinct challenge to electoral accountability. As I anticipated, new democracies are exceptionally vulnerable to the entry into politics of undesirable candidate types who view this period as their "one-time opportunity to get rich," and therefore the threat of removal from office cannot deter them from exploiting it for personal gain. A classic formulation of this concern comes from Madison (2010a, 52), who warns against "men of factious tempers, of local prejudices, or of sinister designs, [who] may, by intrigue, by corruption, or by other means, first obtain the suffrages, and then betray the interests, of the people." I distinguish between such *bad* candidates and *normal* candidates who may be tempted to exploit office for personal gain but are willing to behave if faced with appropriate incentives. Bad candidates view the first few elections in a new democracy as an opportune moment for their entry into politics because politicians have yet to form reputations for performing well, and institutions that may otherwise limit their entry—political parties, the media, or civil society—are only developing.[2]

A second feature that brings the present model closer to the political realities in new democracies is *costly monitoring*: voters have the choice to either ignore information about a politician's performance or seek and evaluate it

interdependent expectations: voters' belief that politicians will respond to electoral incentives and politicians' expectation that voters will punish them for a poor performance in office. In new democracies, however, politicians have yet to form reputations, a condition that facilitates the entry into politics of undesirable candidates who view this period as their "one-time opportunity to get rich." As a result, a different, particularly vicious set of expectations may emerge after a repeatedly disappointing government performance. Voters may conclude that "all politicians are crooks" and that any attempt to discriminate among them based on their performance is therefore a waste of time. In turn, politicians will rationally respond by "acting like crooks," even if most of them may be willing to perform well in office if given the appropriate incentives.

When such pessimistic expectations fuel a mutually reinforcing cycle of voter apathy and poor government performance, elections fail as an instrument of political accountability. I call this expectation-driven failure of accountability the "trap of pessimistic expectations." When it occurs, it undermines the public's willingness to defend democracy against attempts to subvert it, thus eliminating a key check on politicians or groups with authoritarian ambitions. This article thus proposes a mechanism by which a failure of electoral accountability—rather than a redistributive conflict—precipitates the breakdown of democracy.

I develop these arguments with the help of a theoretical model that offers several new insights into the relation-

[2]Indeed, research on new democracies indicates that political parties, which may otherwise limit the entry of bad candidates into politics, are frequently the vehicles for their ambitions (Grzymała-Busse 2007). On the large number of mostly unknown candidates and parties that typically compete in posttransition elections, see Birch (2003), Mainwaring and Scully (1995), and Tavits (2008).

at a cost.[3] While the cost of acquiring unbiased information about politicians' performance may be nonnegligible in any democracy, it is particularly pronounced in new democracies. Transitions to democracy typically occur in countries where voters lack previous democratic experience, large-scale political and economic reforms occur simultaneously, and a history of government-controlled media facilitates the incumbent's influence over news coverage.[4] The assumption of costly monitoring thus reflects the heightened difficulties that voters confront when evaluating politicians' performance in new democracies.[5]

Jointly, these new features generate a dynamic that highlights the interdependence between a new democracy's performance, mass support for democracy, and its survival. Voters must use elections in order to both motivate normal candidates to perform well and to weed out bad candidates. Yet because candidate reputations take time to develop, voters in a new democracy find it particularly challenging to distinguish between bad and normal candidates. I show that depending on its early performance, a new democracy may follow two sharply divergent political trajectories.

On the first of these trajectories, popular dissatisfaction with the performance of individual politicians turns into doubts about the value of democracy as a political system. After a series of policy failures, voters rationally—and potentially erroneously—conclude that politics has been captured by bad candidates, and therefore discriminating among politicians based on their performance is no longer worth the effort. In turn, a self-fulfilling cycle of voter skepticism and poor government performance

ensues: even normal politicians "act like crooks" because voters do not expect *any* politician to act any better.[6]

This trajectory highlights the vulnerability of new democracies to poor government performance. Even if they are entirely due to bad luck, policy failures can have a pernicious effect on mass support for democracy. In fact, following Easton (1965), a large literature has examined the proposition that widespread dissatisfaction with individual governments may translate into declining support for the political system as a whole.[7] Yet the mechanism underlying this correlation has often been elusive in existing accounts. After all, the alternative to democracy is dictatorship, and it is unclear why—even in a democracy afflicted by disappointing government performance—voters would give up the voice that democratic elections afford them. The arguments here suggest an explanation: once a democracy descends into the trap of pessimistic expectations, even voters who are initially optimistic about the ability of elections to motivate accountable behavior rationally conclude that their particular democracy—rather than democracy as an abstract ideal—cannot deliver governance that is more responsive than that under a dictatorship.

The above logic also clarifies the connection between a new democracy's performance and the viability of public opposition to elite transgressions against democracy (see, e.g., Fearon 2011; Weingast 1997). In a seminal article, Weingast examined the problem of public coordination on limits against such transgressions, emphasizing that these limits

> become self-enforcing when citizens hold [them] in high enough esteem that they are willing to defend them by withdrawing support from the sovereign when he attempts to violate these limits. (1997, 251)

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[3]This option to remain "rationally ignorant" (Downs 1957) is consistent with a large literature on the role of information in the democratic process according to which voters habitually, and often intentionally, do not seek out relevant political facts (see, e.g., Lupia and McCubbins 1998).

[4]On media control in new democracies, see Lawson (2002), Enikolopov, Petrova, and Zhuravskaya (forthcoming), and Gehlbach (2010); on economic reforms, see Shleifer and Treisman (2000) and Frye (2010). Besley and Prat (2006) and Gehlbach and Sonin (2011) explore the consequences of government control of the media for accountability theoretically; Besley and Burgess (2002), Adserà, Boix, and Payne (2003), and Snyder and Strömberg (2010) study the relationship between voters' access to information about government performance and accountability empirically. On media control in dictatorships, see Egorov, Guriev, and Sonin (2009) and Lorentzen (2008).

[5]The magnitude of the monitoring cost may in turn be mediated by political institutions, see, e.g., Powell and Whitten (1993), Duch and Stevenson (2008), Hellwig and Samuels (2008), and Cleary (2010).

[6]There is ample evidence for such apathetic political attitudes. Carothers (2002, 10), for instance, laments that in many new democracies "political elites from all the major parties or groupings are widely perceived as corrupt, self-interested, and ineffective. The alternation of power seems only to trade the country's problems back and forth from one hapless side to the other." Among the public, these attitudes are exemplified by comments like "I don't think about politics at all . . . . Nobody believes in politicians any more or believes that any government will do a better job." (See James P. Gallagher, "Russian Apathy Runs Deep as Elections Near, Voters Lose Faith," *Chicago Tribune*, November 13, 1995.) Statements such as "all crows under heaven are equally black" (O'Brien and Li 2006, 125–26) or "it makes no sense to replace a full tiger with a hungry wolf" (Li and O'Brien 1996, 34) illustrate popular disenchantment with village elections in China.

[7]See, e.g., Booth and Seligson (2009), Canache (2002), Norris (1999), and Rose, Mishler, and Munro (2006).

When a new democracy falls into the trap of pessimistic expectations, a critical mass of the public loses such "high enough esteem" for democracy and in turn fails to restrain a leader or group with authoritarian aspirations. The public's willingness to check transgressions against democracy erodes as mass disillusionment with government performance under democracy turns into indifference to alternative forms of government. During the Cold War, such a climate of public political indifference was frequently credited with inviting military coups.[8] But more recently, the modal path to democratic breakdown is one on which an elected incumbent gradually encroaches on civil liberties, emasculates the opposition, but stops short of abolishing elections. The present framework thus suggests an explanation for the emergence of regimes that have been alternatively referred to as competitive or electoral authoritarian (Bunce and Wolchik 2010; Levitsky and Way 2010; Schedler 2006).

Yet the present model also explains why some new democracies follow another political trajectory, one along which gradually improving reputations increasingly serve as barriers to the entry of bad candidates into politics and ultimately bring about the consolidation of democracy. As normal candidates develop reputations for performing well, bad candidates—who exploit office for personal gain and in turn more often preside over policy failures—see their chances of returning to office decline due to increasing competitiveness and eventually leave politics. The resulting improvement in government performance reinforces voters' confidence in the ability of elections to deliver accountability to the extent that—even after a succession of policy failures—they will no longer conclude that "all politicians are crooks" and "democracy does not work." I call a democracy that is no longer at risk of descending into the trap of pessimistic expectations a *consolidated* democracy. To put it metaphorically, in a consolidated democracy, voters' expectations and politicians' performance positively reinforce each other to the extent that a few bad apples can no longer spoil the bunch.

This dynamic is consistent with research that views democratic consolidation as a process of attitudinal change that results in widespread popular acceptance of democracy (Almond and Verba 1963; Diamond 1999;

Linz and Stepan 1996). Linz and Stepan, for instance, prominently characterized consolidated democracies as those where

> a strong majority of public opinion, even in the midst of major economic problems and deep dissatisfaction with incumbents, holds the belief that democratic procedures and institutions are the most appropriate way to govern collective life . . . . (1996, 16)

Here, once a democracy consolidates, voters correctly interpret policy failures as the result of the uncertainty inherent in policymaking rather than the capture of electoral politics by candidates bent on exploiting office for personal gain. I show that consolidation more likely occurs in democracies where sufficiently attractive, nonpolitical careers are available, a result that may account for the strong empirical association between wealth and democratic stability.[9] By contrast, in poor democracies, where politics may be "the most profitable game in town," even increasingly competitive elections will not discourage bad candidates from running for office. The present model thus outlines a mechanism by which widespread popular acceptance of democracy emerges endogenously.

As this discussion suggests, I conceive of elections as first of all an instrument of accountability, thus departing from Boix (2003) and Acemoglu and Robinson (2005), who view elections as a mechanism for resolving conflicts over the redistribution of wealth. According to their arguments, democracy fails in economically unequal countries because the preferred way of resolving redistributive conflicts in these societies is violence rather than elections.[10] By contrast, I emphasize that the central promise of democracy is to deliver good governance by holding politicians accountable for their performance and argue that democracies are particularly vulnerable to a breakdown when elections fail to deliver on this promise.[11] The present approach explains the failure of democracy in countries without acute redistributive conflicts—such

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[8]Nordlinger, for instance, writes that "performance failures lead to the deflation of governmental legitimacy within the politicized stratum of the civilian population. It is this factor that encourages and allows the officers to act upon their interventionist motives . . ."(1977, 64). On the other hand, "the overthrow of legitimate governments will spark mass protests, general strikes, riots, sporadic violence, and possibly armed resistance . . . . Soldiers thus rarely overthrow legitimate governments because they do not want to bring on, or deal with, the disorderly and violent behavioral expressions of popular censure" (94–95).

[9]See Lipset (1959), Przeworski et al. (2000), and Boix and Stokes (2003); cf. Acemoglu et al. (2009).

[10]Ahlquist and Wibbels (2012), Houle (2009), and Freeman and Quinn (2012) assess these arguments empirically.

[11]Certainly, the benefits of democracy go beyond the promise of electoral accountability and also include civil liberties, the rule of law, and checks and balances, to name just a few. Proposition 3 and inequality (6) in the next section clarify why the willingness of a significant fraction of the public to defend these additional benefits may be critically impaired once voters conclude that their democracy cannot deliver accountability. See also Lizzeri and Persico (2004), who examine an accountability rationale for transitions *to* democracy.

as Russia—where poor governance after the transition to democracy led to widespread disenchantment with democratic politics and, in turn, ambivalence about alternative, authoritarian forms of government (Colton and McFaul 2003; Rose, Mishler, and Munro 2006).

The model of democratic breakdown and consolidation that I present in the next section also contributes to recent research on the challenges to electoral accountability in new democracies.[12] In a related set of models, Caselli and Morelli (2004) and Messner and Polborn (2004) highlight that poor democratic performance may be the consequence of the comparative advantage that low-quality candidates have in competing for political office; Keefer and Vlaicu (2007) explain why politicians in new democracies turn to clientelistic policies when they lack the credibility to make electoral promises to deliver public goods; Brender and Drazen (2009) study the role of fiscal manipulation in shoring up public support in a new democracy; and Meirowitz and Tucker (forthcoming) show that the public may lose an incentive to protest against a poorly performing government after learning about the (dismal) quality of politicians in a new democracy.

The analysis here builds on Myerson (2006), who points out that electoral accountability may fail if forward-looking voters hold pessimistic expectations about any politician's performance. I explain why following repeatedly disappointing government performance, voters and candidates rationally abandon a focal equilibrium in which elections have the potential to deliver accountability for one in which elections fail to do so. By relating this equilibrium shift to government performance, the model in the next section identifies empirically verifiable circumstances under which voters' skepticism about whether elections can deliver political accountability becomes self-fulfilling.

In the next section, I present the formal model. I then outline its implications for the empirical study of democratic breakdown and consolidation and show that it accounts for several key findings in the literature. I conclude by discussing the implications of my arguments for the contribution of constitutional design to the consolidation of new democracies. Detailed proofs of all technical results as well as a self-standing statistical analysis of some predictions from the present model can be found in a supplementary appendix at the author's website.

An Accountability Model of Democratic Consolidation and Breakdown

Consider the following electoral *accountability game* between a *voter* and two *candidates* ($i = 1, 2$). At the beginning of any period $t = 1, 2, \ldots, \infty$, one of the two candidates is the *incumbent* and either *behaves* in office or *exploits* office. The latter action implies policies that benefit the incumbent at the expense of the voter, and we assume that any incumbent prefers exploiting to behaving in office. More precisely, exploiting office is costless for an incumbent, whereas behaving is costly, $c > 0$.

Additionally, an incumbent prefers to remain in office in the next period rather than be replaced by the *challenger*. I normalize the candidates' payoffs from being in office and out of office to $w > 0$ and 0, respectively. The candidates and the voter discount future payoffs by a discount factor δ_i, $\delta \in (0, 1)$, respectively. I will notationally distinguish between δ_i and δ only when discussing player-specific discount factors.

As I indicated earlier, two assumptions in this model reflect the distinct challenges to electoral accountability in new democracies. First, each candidate can be one of two types, $\theta_i \in \{B, N\}$. Candidate i is *bad*, $\theta_i = B$, if he would prefer exploiting office to behaving even if a permanent removal from office (reelection) were a sure consequence of the former (latter). Thus, for a bad candidate, $w > (w - c)/(1 - \delta_i)$, or equivalently if $c > \delta w$. On the other hand, candidate i is *normal*, $\theta_i = N$, if the threat of a certain removal from office deters him from exploiting it, $\delta w \geq c$. Thus, we can alternatively think of c as the benefit from exploiting office and of the bad candidate as one for whom the benefit from exploiting office in the present term is more attractive than a reelection for another term.[13] But note that the normal type of a candidate is no angel: if not threatened with a removal from office, he prefers to exploit it rather than behave. Importantly, a candidate's type is his private information: the voter does not know the candidates' types, and each candidate knows his own type but not the type of the other candidate.

The second key assumption in this model is costly monitoring. The voter does not observe the incumbent's action directly; instead, she either *ignores* or *monitors* the incumbent's performance, and the latter entails a cost

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[12]See Besley (2006) and Persson and Tabellini (2000) for a review of electoral accountability models. For empirical research on accountability in new democracies, see Tucker (2006), Keefer (2007), Roberts (2008), Pacek, Pop-Eleches, and Tucker (2009), and Gehlbach, Sonin, and Zhuravskaya (2010).

[13]The difference between the two candidate types can therefore be thought of as a summary of the politically relevant difference among a continuum of candidate types that differ in the intensity of their concern for reelection as opposed to the benefit from exploiting office.

$m > 0$.[14] Only if the voter monitors the incumbent's performance, she observes a policy *outcome* O, which is either a policy *success* or *failure*, $O \in \{S, F\}$. The policy outcome is an informative but imperfect signal of the incumbent's action: if the incumbent behaves, the voter observes a policy success with probability γ_b and a policy failure with probability $1 - \gamma_b$; if the incumbent exploits office, the corresponding probability of a success is γ_e. I assume that $0 < \gamma_e < 1/2 < \gamma_b < 1$, so that policies may fail even if the incumbent behaves but are less likely to do so than when the incumbent exploits office and vice versa. In order to keep the formal analysis as simple as possible, I let $\gamma_e = 1 - \gamma_b$ and assume that the voter does not discriminate between the two candidates in her decision whether to monitor the incumbent's performance.

At the end of any period, the voter either *reelects* or *replaces* the incumbent with the challenger. The voter prefers a policy success to a failure, with the corresponding payoffs $s > 0$ and 0.[15] Since $\gamma_b > \gamma_e$, the voter would like to motivate the normal incumbent to behave in office by conditioning reelection on a policy success. However, if the voter ignored the incumbent's performance, she must decide whether to reelect the incumbent without any information about the policy outcome.

Electoral Accountability without Bad Candidates

Before examining equilibrium outcomes in this accountability game, consider a simpler setting with only the normal candidate type. Equilibrium outcomes in this simpler setting will serve as a benchmark against which outcomes in the more complex setting with both normal and bad candidates can be compared.

When only normal candidates are present, the threat of a removal from office following a policy failure will motivate them to behave as long as both the voter and the candidates are sufficiently patient. More specifically, the following strategies constitute an equilibrium: in any period, incumbents behave in office while the voter monitors incumbent performance and conditions reelection on a policy success, as long as the voter monitored and

conditioned reelection on a policy success in any previous period. Otherwise, incumbents exploit office while the voter ignores policy outcomes and uses a reelection rule that is unrelated to actual policy outcomes.[16]

To see that these strategies constitute an equilibrium, suppose that the voter monitored incumbent performance and conditioned reelection on a policy success in any previous period and consider incumbent i's expected discounted payoff $u_i^I(b)$ from behaving,

$$u_i^I(b) = w - c + \delta_i\big[\gamma_b u_i^I(b) + (1 - \gamma_b)u_i^C\big], \quad (1)$$

where u_i^C is i's expected discounted payoff when he is the challenger while incumbent j behaves in office,

$$u_i^C = \delta_i\big[\gamma_b u_i^C + (1 - \gamma_b)u_i^I(b)\big]. \quad (2)$$

Solving (1) and (2) for $u_i^I(b)$, we obtain

$$u_i^I(b) = \frac{(1 - \gamma_b\delta_i)(w - c)}{(1 - \delta_i)[1 - \delta_i(\gamma_b - \gamma_e)]}.$$

Incumbent i prefers behaving to exploiting as long as behaving yields a greater expected discounted payoff than a one-shot deviation to exploiting,

$$u_i^I(b) \geq w + \delta_i\big[\gamma_e u_i^I(b) + (1 - \gamma_e)u_i^C\big],$$

or equivalently, as long as

$$\delta_i \geq \frac{c}{(\gamma_b - \gamma_e)w} = \delta_i^*.$$

Observe that the threshold discount factor δ_i^* is positive, increasing in c and γ_e, decreasing in w and γ_b, and less than 1 as long as $w > c/(\gamma_b - \gamma_e) = \underline{w}$. Thus, incumbents have a stronger incentive to behave when they value office highly, when the cost of behaving is low, and when the policy outcome is a more informative signal of the incumbent's action.

Now consider the voter's incentive to monitor incumbent performance and condition reelection on a policy success. When she does so and incumbents behave in office, her expected discounted payoff is

$$v = \gamma_b s - m + \delta v = \frac{\gamma_b s - m}{1 - \delta}.$$

By contrast, incumbents will exploit office following any period in which the voter ignored incumbent performance, yielding to the voter the expected discounted payoff

$$\underline{v} = \frac{\gamma_e s}{1 - \delta}. \quad (3)$$

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[14]On the other hand, the candidates observe the voter's actions as well as policy outcomes, but each candidate only observes his own action.

[15]I only consider a single, representative voter in order to focus on the problem of motivating desirable candidate performance. In a setting with many voters, the preferences of all voters about the incumbent's action in office would be identical. In effect, I am assuming that any single voter sees elections as an opportunity to act strategically vis-à-vis the candidates rather than other voters.

[16]The restriction to pure strategies and grim trigger punishments simplifies the analysis by avoiding reelection rules that condition on the history of play in possibly complex ways; see, e.g., Schwabe (2011). Banks and Sundaram (1993) and Myerson (2006) employ grim trigger strategies in repeated models of electoral accountability.

In turn, the voter prefers to monitor incumbent performance and condition reelection on a policy success as long as

$$v \geq \gamma_b s + \delta \underline{v}, \quad \text{or equivalently} \quad \delta \geq \frac{m}{(\gamma_b - \gamma_e)s} = \delta^*.$$

Note that the voter's threshold discount factor δ^* is positive, increasing in m and γ_e, decreasing in s and γ_b, and smaller than 1 as long as $s > m/(\gamma_b - \gamma_e) = \underline{s}$. Thus, the voter is willing to monitor incumbent performance and condition reelection on a policy success when she values policy successes highly, when the cost of monitoring is low, and when the policy outcome is a more informative signal of the incumbent's action.[17]

To summarize, we see that in this benchmark setting, the threat of a removal from office after a policy failure motivates candidates to behave in office as long as the candidates and the voter are sufficiently patient, $\delta_i \geq \delta_i^*$ and $\delta \geq \delta^*$, and value the office and policy successes highly enough, $w \geq \underline{w}$ and $s \geq \underline{s}$. In order to restrict attention in the remainder of the article to interesting scenarios, I assume that these conditions on patience as well as the associated lower bounds on w and s hold. Accordingly, we may say that with only the normal candidate types, electoral accountability *succeeds* when $\delta_i \geq \delta_i^*$, $\delta \geq \delta^*$, $w \geq \underline{w}$, and $s \geq \underline{s}$.[18]

Proposition 1. *In a subgame perfect equilibrium with only normal types, incumbents behave in office while the voter monitors and conditions reelection on a policy success, as long as $\delta_i \geq \delta_i^*$, $\delta \geq \delta^*$, $w \geq \underline{w}$, $s \geq \underline{s}$, and the voter monitored and conditioned reelection on a policy success in any previous period.*

Proof. Follows directly from the text. □

[17]When the voter ignores incumbent performance, her post-election payoff will be informative about the policy outcome, but she will not be able to use that information to discipline the incumbent because of the ensuing grim trigger regime. For instance, we can view the eventual realization of the payoff as the outcome of a reform that occurs too late for the voter to use it at the time of voting. An alternative formulation that avoids such post-election informativeness would assume that unless the voter monitors incumbent performance, she does not know whether the incumbent's action could have affected the policy outcome in the first place (and the parameter that determines this varies across periods).

[18]As is typical for repeated games, this "good" equilibrium is not unique; there is also a "bad" equilibrium in which incumbents exploit office while the voter ignores policy outcomes. Throughout this article, however, the former can be plausibly considered focal when it exists, since the advent of democratic institutions is typically heralded with enthusiasm. By contrast, the "trap of pessimistic expectations" equilibrium introduced in the next section is unique. The arguments in this article help us understand the reversal of such initial optimism.

The Trap of Pessimistic Expectations

Consider now whether electoral accountability succeeds once we let each candidate be either a normal or bad type, which is privately observed by each candidate. The timing of moves is as follows. At time $t = 0$, nature determines the type of each candidate and determines (with equal probability) which candidate will be the incumbent in period one. Independently, each candidate i will be normal with probability $\pi^0 \in (0, 1)$ and bad with probability $1 - \pi^0$. The following stage game ensues in each subsequent period $t = 1, 2, \ldots, \infty$. First, the incumbent either behaves in office or exploits office. Second, nature determines whether the policy outcome is a success or failure. Third, the voter either monitors or ignores the incumbent's performance and observes the policy outcome if and only if she monitored the incumbent's performance. Finally, the voter either reelects or replaces the incumbent.

Denote by $\pi_i^t(\pi_i^{t-1}, O^{t-1})$ the voter's belief that candidate i is normal at the beginning of period $t \geq 1$ given her belief about candidate i's type and the policy outcome in the previous period, $\pi_i^t(\pi_i^{t-1}, O^{t-1}) = \Pr(\theta_i = N | \pi_i^{t-1}, O^{t-1})$. The voter updates her belief $\pi_i^t(\pi_i^{t-1}, O^{t-1})$ about incumbent i's type using Bayes' rule; π_1^0 and π_2^0 are the voter's initial, possibly distinct beliefs about each candidate's type.[19] If the voter monitors the policy outcome, then after observing a policy success in period $t - 1$, the voter's belief at the beginning of period t that the incumbent is normal will increase to

$$\pi_i^t(\pi_i^{t-1}, S) = \frac{\gamma_b \pi_i^{t-1}}{\gamma_b \pi_i^{t-1} + \gamma_e(1 - \pi_i^{t-1})}.$$

On the other hand, if the voter observes a policy failure in period $t - 1$, her belief that the incumbent is normal will decline to

$$\pi_i^t(\pi_i^{t-1}, F) = \frac{(1 - \gamma_b)\pi_i^{t-1}}{(1 - \gamma_b)\pi_i^{t-1} + (1 - \gamma_e)(1 - \pi_i^{t-1})}.$$

If the voter ignores the policy outcome in any period $t - 1$, then a normal incumbent exploits office in any following period and the voter's belief about both candidates remains constant across periods, $\pi_i^t(\pi_i^{t-1}, O^{t-1}) = \pi_i^{t-1}$. Finally, candidates update their beliefs about each other's type according to Bayes' rule as well, but they observe the policy outcome in any period. We may call the voter's belief about candidate i's type π_i^t candidate i's *reputation*.

[19]Such differences in initial beliefs may exist in countries where candidates have had an opportunity to acquire a political reputation prior to the transition to democracy, either because the dictatorship that preceded the transition allowed for some electoral competition (as in Mexico) or because it was preceded by a period of democracy (as in Argentina).

When convenient, I will denote the two candidates' reputations by $\pi_1^{(k)}$ and $\pi_2^{(l)}$. The indexes k and l refer to the ordered set of the voter's possible beliefs about candidates 1 and 2 instead of time periods. Thus, for candidate 1, $\pi_1^{(k)} = \pi_1^t(\pi_1^{(k-1)}, S) = \pi_1^t(\pi_1^{(k+1)}, F)$, and the transition from $\pi_1^{(k)}$ to $\pi_1^{(k+1)}$ corresponds to a one-step increase in candidate 1's reputation.[20]

Can the voter motivate normal incumbents to behave in office by conditioning reelection on a policy success? Consider a scenario in which after a succession of policy failures the voter concludes that both candidates are most likely of the bad type. That is, π_i^t is close to zero for $i = 1, 2$. Because monitoring policy outcomes is costly, there will be a level of π_i^t at which the voter concludes that monitoring incumbent performance is not worth its cost, since both candidates are most likely bad and will exploit office regardless of the voter's actions. Anticipating this, even normal incumbents will exploit office. Therefore, after a succession of policy failures, electoral accountability may *fail* even if both candidates are normal and willing to behave in office if sufficiently motivated.

I now examine when the above dynamic depicts a perfect Bayesian equilibrium of this accountability game. Since a bad incumbent always exploits office, we only need to consider strategies for the normal type of the incumbent and the voter. When candidate 1 is the incumbent in period t and the voter's beliefs about the candidates are $\pi_1^{(k)}$ and $\pi_2^{(l)}$, her payoff from monitoring incumbent 1's performance and conditioning reelection on a policy success is

$$v^1\left(\pi_1^{(k)}, \pi_2^{(l)}\right) = \pi_1^{(k)} v^{1N} + \left(1 - \pi_1^{(k)}\right) v^{1B}, \quad (4)$$

where v^{1N} and v^{1B} are the voter's expected discounted payoffs from the normal and the bad type of incumbent 1, respectively. When the normal incumbent behaves in office, the voter's expected discounted payoff is

$$v^{1N} = -m + \gamma_b(s + \delta v^{1N}) + (1 - \gamma_b)\delta v^2\left(\pi_1^{(k-1)}, \pi_2^{(l)}\right),$$

where $v^2(\pi_1^{(k-1)}, \pi_2^{(l)})$ is the voter's payoff when candidate 2 replaces 1 in office in period $t + 1$ after a policy failure. Because a bad incumbent always exploits office, the voter's expected discounted payoff from a bad incumbent 1 is

$$v^{1B} = -m + \gamma_e(s + \delta v^{1B}) + (1 - \gamma_e)\delta v^2\left(\pi_1^{(k-1)}, \pi_2^{(l)}\right).$$

Intuitively, the voter's payoff from monitoring incumbent performance and conditioning reelection on a policy success in (4) is increasing in each candidate's reputation. As the candidates' reputations decline, the

voter's expected per-period payoff approaches $\gamma_e s - m$, which is less than $\gamma_e s$, the expected per-period payoff that the voter would obtain if she ignored incumbent performance. Suppose candidate 1 is the incumbent in the current period.[21] Then for some $\pi_2^{(l)}$, there will be a threshold belief $\pi_1^{(k)} = \underline{\pi}_1(\pi_2^{(l)})$ such that if the incumbent's reputation drops to $\pi_1^{(k-1)}$, the voter prefers to ignore incumbent performance,

$$\underline{\pi}_1(\pi_2^{(l)}) = \min \pi_1^{(k)} \text{ such that } v^1\left(\pi_1^{(k)}, \pi_2^{(l)}\right) > \underline{v}. (5)$$

Recall from (3) that $\underline{v} = \gamma_e s/(1 - \delta)$ is the payoff that the voter obtains when she ignores the incumbent's performance and both candidates exploit office.

In the supplementary appendix, I show that the incumbent's threshold reputation $\underline{\pi}_1(\pi_2^{(l)})$ is weakly decreasing in the challenger's current reputation $\pi_2^{(l)}$. That is, the stronger candidate 2's reputation, the worse candidate 1 must perform before the voter gives up on monitoring incumbent performance. In new democracies, one candidate's success in office is a positive externality from which all candidates benefit.

Furthermore, the threshold reputation $\underline{\pi}_1(\pi_2^{(l)})$ may not exist when $\pi_2^{(l)}$ is above some threshold $\underline{\pi}_2 > 0$. In other words, the voter will not give up on monitoring incumbent performance when candidate 1 is in office, as long as her belief that candidate 2 is normal is high enough. The voter must believe sufficiently strongly that *both* candidates are crooks before she gives up on monitoring incumbent performance.

Once a candidate with a reputation below the threshold $\underline{\pi}_1(\pi_2^{(l)})$ enters office, electoral accountability *fails*: the voter no longer monitors incumbent performance and therefore cannot condition reelection on actual policy outcomes. To keep the analysis simple, I assume that the incumbent is reelected with the probability 1/2 if this occurs.[22] Importantly, once the threshold $\underline{\pi}_1(\pi_2^{(l)})$ has been crossed, the voter's skepticism about candidate behavior is *self-fulfilling*: even a normal incumbent—who would be willing to behave in office if the voter conditioned reelection on a policy success—will choose to exploit office. Accordingly, we may call this equilibrium the *trap of pessimistic expectations*.

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[20] For instance, for $\gamma_b = 0.7$, $\gamma_e = 0.3$, and the initial belief $\pi_1^0 = 0.5$ (the parameters in the illustration in Sections 2.5 and 3), the (incomplete) ordered set of the voter's possible beliefs about candidate 1 is $\{\dots, 0.07, 0.16, 0.3, 0.5, 0.7, 0.85, 0.93, \dots\}$.

[21] The arguments when candidate 2 is the incumbent are analogous.

[22] In a richer model, the voter may have the option to abstain and voting may entail a small cost, giving the voter an incentive to abstain should the incumbent's reputation drop below the threshold $\underline{\pi}_1(\pi_2^{(l)})$. Alternatively, candidates may start competing on issues that are less demanding on the voter's attentiveness, such as charisma, clientelistic practices, or populist policy proposals; see, e.g., Kitschelt (2000) and Stokes (2005) for a discussion of the negative consequences of these practices for electoral accountability.

Proposition 2. *In a perfect Bayesian equilibrium,*

(i) If $\pi_1^t \geq \underline{\pi}_1(\pi_2^{(l)})$, $\pi_2^t \geq \underline{\pi}_2(\pi_1^{(k)})$, and as long as the voter monitored and conditioned reelection on a policy success in any previous period, normal incumbents behave in office, and the voter monitors incumbent performance and conditions reelection on a policy success. Otherwise, normal incumbents exploit office and the voter ignores incumbent performance and uses a reelection rule that is unrelated to policy outcomes.

(ii) The belief thresholds $\underline{\pi}_1(\pi_2^{(l)})$ and $\underline{\pi}_2(\pi_1^{(k)})$ are weakly decreasing in $\pi_2^{(l)}$ and $\pi_1^{(k)}$, respectively.

(iii) If $s > \frac{m}{\gamma_e(\gamma_b - \gamma_e)\delta}$, the belief thresholds $\underline{\pi}_1(\pi_2^{(l)})$ and $\underline{\pi}_2(\pi_1^{(k)})$ do not exist for sufficiently high values of $\pi_2^{(l)}$ and $\pi_1^{(k)}$, respectively.

Proof. See the supplementary appendix. $\square$

The Breakdown of Democracy

The above analysis implies that a sequence of policy failures may result in a complete failure of electoral accountability. Once in the trap of pessimistic expectations, voters no longer believe that their democracy can deliver better governance than a dictatorship. In turn, they no longer have a stake in defending democracy against attempts to subvert it, thus giving candidates an incentive to acquire or maintain power by nondemocratic means.[23] A failure of electoral accountability may therefore precipitate the breakdown of democracy. I now examine an extension of the above accountability game that models this intuition.

Suppose that at the beginning of any period $t = 1, 2, \ldots, \infty$ and before any of the existing moves, candidates simultaneously decide whether to *subvert* or *comply* with democracy. If both candidates comply, the stage game continues as previously. But if an attempt to subvert democracy occurs, the voter either *acquiesces* or *defends* democracy, the latter being associated with a cost $d > 0$. If the voter acquiesces, the game ends in a *breakdown* of democracy and the voter receives the discounted payoff $\underline{v}$. If only one candidate subverts democracy, the candidate who subverts becomes a dictator and obtains the per-period payoff w in any subsequent period, while the other candidate obtains the payoff 0. If both candidates subvert, then each becomes a dictator with the probability

[23]This line of reasoning thus parallels Weingast's argument that in order "to survive, a constitution must have more than philosophical or logical appeal; citizens must be willing to defend it" (1997, 251). Here, such defense most plausibly takes the form of a postelectoral protest, as in Fearon (2011), Meirowitz and Tucker (forthcoming), and Tucker (2007). See also Casper and Taylor (1996), who emphasize the role of the mass public during transitions *to* democracy.

1/2. On the other hand, if the voter defends democracy, any attempt to subvert democracy fails, any candidate who attempts to subvert democracy leaves the game and receives a negative discounted payoff $\underline{u} < 0$, a new candidate enters the game in his place, and the stage game continues as previously.

This extension implies that once a democracy enters the trap of pessimistic expectations, both the incumbent and challenger subvert democracy, the voter acquiesces, and the game ends in a breakdown of democracy. After accounting for the cost of defending democracy, the threshold $\underline{\pi}_1(\pi_2^{(l)})$ in (5) becomes

$$\underline{\pi}_1^B(\pi_2^{(l)}) = \min \pi_1^t \text{ such that } v^1(\pi_1^{(k)}, \pi_2^{(l)}) - d > \underline{v}. \quad (6)$$

That is, as long as incumbent 1's reputation is above $\underline{\pi}_1^B(\pi_2^{(l)})$, the voter has an incentive to defend democracy for a sufficiently small cost d, because her expected payoff under democracy $v^1(\pi_1^{(k)}, \pi_2^{(l)})$ is greater than her payoff $\underline{v}$ under dictatorship. Accordingly, we may call $\underline{\pi}_1^B(\pi_2^{(l)})$ in (6) the *breakdown threshold*.

Proposition 3. *In a perfect Bayesian equilibrium, if $\pi_1^t \geq \underline{\pi}_1^B(\pi_2^{(l)})$, $\pi_2^t \geq \underline{\pi}_2^B(\pi_1^{(k)})$, $d < \frac{(\gamma_b - \gamma_e)s - m}{1 - \delta}$, and as long as the voter monitored and conditioned reelection on a policy success in any previous period, both candidates comply with democracy, and the voter defends democracy. Otherwise, both candidates subvert democracy and the voter acquiesces.*

Proof. See the supplementary appendix. $\square$

Reputation Building and Democratic Consolidation

Propositions 2 and 3 imply that as long as the incumbent's reputation is above the breakdown thresholds $\underline{\pi}_1^B(\pi_2^{(l)})$ and $\underline{\pi}_2^B(\pi_1^{(k)})$, the voter monitors incumbent performance and conditions reelection on a policy success, thus motivating normal incumbents to behave in office. In the long run, however, any democracy will fall into the trap of pessimistic expectations: with a positive probability, a sequence of policy failures occurs that is sufficiently long to bring even a normal incumbent's reputation under the breakdown threshold. This happens because we fixed the identity of the two candidates who compete for office at the beginning of the game. I now relax that assumption by letting candidates enter and exit politics.

Suppose that at the beginning of any period $t = 1, 2, \ldots, \infty$ and before any other moves in the game, each of two candidates decides whether to *run* for office or *exit* politics. Any candidate who exits obtains a per-period

payoff $x > 0$ from an alternative career. New candidates are drawn at random from a *candidate pool* with a positive share of normal types $\pi > 0$.[24] The timing of the moves in the rest of any period remains unchanged.

This natural extension has some surprising but intuitive implications. When sufficiently attractive nonpolitical careers are available, good reputations serve as barriers to the entry of bad candidates. More specifically, once incumbent 1's reputation grows past the *consolidation threshold* $\overline{\pi}_1(\pi_2^{(l)})$, a bad challenger 2 will exit, and no bad challenger will run for office again. This occurs because a bad incumbent, who gets reelected less often than a normal one, sees his chances of returning to office decline as his competitor develops a reputation for being the normal type. Once the incumbent's reputation crosses the consolidation threshold, equilibrium strategies in this game will be identical to those in the benchmark game without bad types, and, crucially, electoral accountability will succeed. Consistent with our earlier analysis, however, before the consolidation threshold is crossed, the voter may conclude after repeated policy failures that both candidates are bad, and this democracy may fall into the trap of pessimistic expectations and break down.

To examine these intuitions, consider how the incumbent's reputation affects the challenger's incentives to stay in politics. The expected discounted payoff of a challenger of either type is decreasing in the incumbent's reputation. For instance, the payoff of a bad challenger 1 is

$$u_{1B}^{C}\left(\pi_1^{(k)}, \pi_2^{(l)}\right) = \delta\Big(\pi_2^{(l)}\Big[\Big(\gamma_b u_{1B}^{C}(\pi_1^{(k)}, \pi_2^{(l+1)})$$
$$+ (1 - \gamma_b) u_{1B}^{I}\left(\pi_1^{(k)}, \pi_2^{(l-1)}\right)\Big]$$
$$+ \Big(1 - \pi_2^{(l)}\Big)\Big[\gamma_e u_{1B}^{C}\left(\pi_1^{(k)}, \pi_2^{(l+1)}\right)$$
$$+ (1 - \gamma_e) u_{1B}^{I}\left(\pi_1^{(k)}, \pi_2^{(l-1)}\right)\Big]\Big),$$

and the payoff of a normal challenger 1 is analogous. Intuitively, both types of challenger expect to return to office sooner if the incumbent is a bad type because the latter exploits office and is therefore less likely to get

reelected. Meanwhile, the expected discounted payoff of a bad incumbent 1 is

$$u_{1B}^{I}\left(\pi_1^{(k)}, \pi_2^{(l)}\right) = w + \delta\Big(\gamma_e u_{1B}^{I}\left(\pi_1^{(k+1)}, \pi_2^{(l)}\right)$$
$$+ (1 - \gamma_e) u_{1B}^{C}\left(\pi_1^{(k-1)}, \pi_2^{(l)}\right)\Big);$$

the payoff of a normal challenger 1 is analogous. Because a bad incumbent is less likely to get reelected, he expects to spend less time in office than a normal incumbent. Jointly, the above expressions for the incumbent's and challenger's payoffs imply that a normal challenger expects a greater discounted payoff from running than a bad challenger as the incumbent's reputation approaches 1. When candidate 2 is the challenger, we have

$$\lim_{\pi_1^{(k)} \to 1^-} u_{2N}^{C}\left(\pi_1^{(k)}, \pi_2^{(l)}\right) > \lim_{\pi_1^{(k)} \to 1^-} u_{2B}^{C}\left(\pi_1^{(k)}, \pi_2^{(l)}\right). \ (7)$$

Inequality (7) indicates that once the incumbent's reputation $\pi_1^{(k)}$ is sufficiently strong, there will be a range of discounted exit payoffs $u(exit) = x/(1 - \delta)$, for which a bad challenger prefers to exit but a normal challenger prefers to run. A bad challenger 2 will exit if $u(exit) > \lim_{\pi_1^{(k)} \to 1^-} u_{2B}^{C}(\pi_1^{(k)}, \pi_2^{(l)})$. On the other hand, a normal challenger 2 will run even as the incumbent's reputation $\pi_1^{(k)}$ approaches 1 as long as $u(exit) < \lim_{\pi_1^{(k)} \to 1^-} u_{2N}^{C}(\pi_1^{(k)}, \pi_2^{(l)})$. Suppose therefore that $\lim_{\pi_1^{(k)} \to 1^-} u_{2B}^{C}(\pi_1^{(k)}, \pi_2^{(l)}) < u(exit) < \lim_{\pi_1^{(k)} \to 1^-} u_{2N}^{C}(\pi_1^{(k)}, \pi_2^{(l)})$ and denote the highest value of incumbent 1's reputation at which bad challenger 2 prefers running to exiting by $\overline{\pi}_1(\pi_2^{(l)})$,

$$\overline{\pi}_1\left(\pi_2^{(l)}\right) = \max \pi_1^{(k)} \text{ such that } u_{2B}^{C}\left(\pi_1^{(k)}, \pi_2^{(l)}\right) \geq u(exit).$$

Then as soon as incumbent 1's reputation grows past $\overline{\pi}_1(\pi_2^{(l)})$, a bad challenger 2 exits, and any bad candidate whom nature may draw to run will exit as well.[25] Denote the period in which this occurs by T^*. Then from period T^* onward, only normal candidates run for office, and the voter's consistent belief is $\pi_i^t = 1$ for $i = 1, 2$.

This equilibrium dynamic implies that once incumbent 1's reputation grows past $\overline{\pi}_1(\pi_2^{(l)})$, electoral accountability *succeeds*: the voter correctly interprets any policy failure as the result of bad luck rather than a bad incumbent's policy choice. Consequently, this democracy can no longer enter the trap of pessimistic expectations and break down. Accordingly, we may call the sets of beliefs $\overline{\pi}_1(\pi_2^{(l)})$ and $\overline{\pi}_2(\pi_1^{(k)})$ the *consolidation thresholds*, the time T^* the

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[24]In a richer model, the voter may have the option to replace the challenger with a candidate from the pool should the challenger's current reputation π_j^t drop below the voter's belief about the quality of the pool and update her beliefs about the quality of the pool based on her beliefs about the candidates. The key force that accounts for the exit of bad candidates in this section—a bad candidate anticipates to stay out of office longer when competing against a normal candidate—would also operate in such a richer model. However, the need to condition candidates' continuation payoffs on the voter's evolving belief about the quality of the pool significantly reduces the tractability of the model without yielding additional insights.

[25]In the unlikely case that the incumbent with $\pi_1^t > \overline{\pi}_1(\pi_2^{(l)})$ is a bad type, he will exit as soon as he is replaced in office since the new incumbent will be normal for sure.

consolidation time, and any state past period T^* a *consolidated democracy*. By contrast, the set of states in which candidate reputations are at or between the breakdown and consolidation thresholds may be called a *transitional democracy*.

Proposition 4. *In a perfect Bayesian equilibrium, in any period* $t \geq T^*$, *if* $u(exit) \in \left(\lim_{\pi_i^t \to 1^-} u_{jB}^C(\pi_1^t, \pi_2^t), \lim_{\pi_i^t \to 1^-} u_{jN}^C(\pi_1^t, \pi_2^t) \right)$ *for* $i \neq j$, *and as long as the voter monitored and conditioned reelection on a policy success in any previous period,*
(i) *the voter's consistent belief is* $\pi_i^t = 1$ *for* $i = 1, 2$,
(ii) *both normal and bad incumbents run, and*
(iii) *normal challengers run but bad challengers exit.*

*Proof*. See the supplementary appendix. □

An Illustration

According to Propositions 2–4, the voter's beliefs about the type of candidates that she is facing—and ultimately about whether democracy can deliver accountability—evolve endogenously. In any period, the incumbent's type and equilibrium strategy determine the most likely policy outcome, which in turn shapes the voter's belief about the incumbent's type. Eventually, however, this process results in one of two outcomes: the breakdown or the consolidation of democracy. I now illustrate this dynamic with simulations of the equilibrium behavior predicted by this model.

Suppose that $s = 1$, $m = 0.1$, $w = 1$, $c = 0.1$, $d = 0.5$, $x = 0.35$, $\gamma_b = 0.7$, $\gamma_e = 0.3$, and $\delta_i = \delta = 0.95$. In Figure 2, I plot the breakdown thresholds $\underline{\pi_1}(\pi_2^{(l)})$ and $\underline{\pi_2}(\pi_1^{(k)})$ and the consolidation thresholds $\overline{\pi}_1(\pi_2^{(l)})$ and $\overline{\pi}_2(\pi_1^{k})$. The thin dotted lines plot the (incomplete) set of candidate reputations, while circles and squares connected by thick solid and dashed lines plot the breakdown and consolidation thresholds when candidate 1 or 2 is the incumbent, respectively. As stated by Proposition 2, the breakdown threshold when candidate 1 is the incumbent $\underline{\pi_1}(\pi_2^{(l)})$ is weakly decreasing in the challenger's reputation $\pi_2^{(l)}$ and may not bind if the challenger's reputation is sufficiently strong.

We see that democracies in which initial beliefs about candidates are so pessimistic that they lie below both breakdown thresholds will start in the trap of pessimistic expectations and are doomed to break down. Meanwhile, those democracies in which initial beliefs are so optimistic that they lie above one of the consolidation thresholds will consolidate immediately.

FIGURE 2 Breakdown and Consolidation Thresholds (Circles and Squares, Respectively) When Candidate 1 or 2 Is the Incumbent (Solid and Dashed Lines, Respectively)
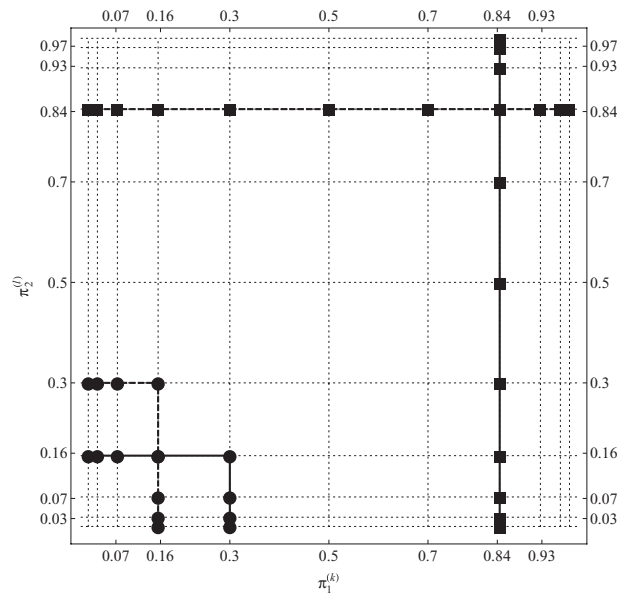
Note: Thin dotted lines plot the (incomplete) set of candidate reputations that may occur in equilibrium.

For most real-world cases, however, an empirically plausible set of initial beliefs is neither so pessimistic as to result in an immediate breakdown of democracy nor so optimistic as to lead to an immediate consolidation of democracy—these are transitional democracies. For instance, if the voter's initial beliefs about the two candidates are $\pi_1^0 = \pi_2^0 = 0.5$, then it takes at least three consecutive policy successes for a democracy to consolidate. Meanwhile, it takes at least five consecutive policy failures for a democracy to fall into the trap of pessimistic expectations and then break down. Note that any candidate's three consecutive policy successes will be sufficient for consolidation, but it takes more than two failures by each candidate before a democracy breaks down. That is, a single successful candidate can bring about the consolidation of democracy, but with sufficiently optimistic initial beliefs, it will take several failures by each candidate before a democracy breaks down. The equilibrium behavior in this accountability game thus implies a particular distribution of time to democratic consolidation and breakdowns. I examine this and related empirical predictions in the next section.

Implications for the Empirical Study of Democratic Consolidation

The model developed in the previous section has a number of implications for the empirical study of democratic survival, public support for democracy, and the "quality" of politicians in new democracies. First, the statistical distribution of the timing of democratic breakdowns and consolidation follows directly from the long-run equilibrium behavior in this model. Theoretically informed knowledge of these distributions offers guidance in the choice of appropriate statistical techniques for the analysis of data on democratic survival. Second, the model's long-run equilibrium behavior leads to an intuitive prediction about the relationship between economic downturns, the age of democracy, and the likelihood of democratic breakdowns: the adverse effect of economic downturns on democratic breakdowns should be conditional on the age of democracy. I find preliminary support for this proposition when I estimate a change-point model of democratic survival in the supplementary appendix. Finally, the model offers theoretical microfoundations for the empirical association between public attitudes toward democracy, economic development, and the survival of democracy, and it predicts a previously underexplored empirical association between economic opportunities, the history of democracy, and the composition of the political class in new democracies.

As the numerical illustration in the previous section suggests, the voter's and incumbents' equilibrium strategies imply a particular long-run distribution of democratic consolidation and breakdowns. The equilibrium path of this game can be statistically represented by a discrete time-absorbing Markov chain where any belief vector that lies above the breakdown but below the consolidation thresholds constitutes a *transient* state, whereas transitions to belief vectors immediately below or above these thresholds constitute transitions to the *absorbing* states of breakdown and consolidation, respectively. While a democracy is transitional, only transitions to neighboring states occur with a positive probability. These probabilities depend on the type of incumbent in office and are thus either γ_b and $1 - \gamma_b$ or γ_e and $1 - \gamma_e$. Since the two absorbing states can be reached in one or more steps from any transient state, a democracy will eventually either consolidate or break down. After 100,000 simulations that draw a normal type with the probability $\pi^0 = 0.5$, 32% of democracies eventually break down, 68% consolidate, and the median times to breakdown

and consolidation are 9 and 13, respectively.[26] Crucially, in about 10% of the simulations, a democracy descends into the trap of pessimistic expectations even though at least one of the candidates was a normal type.

This long-run equilibrium behavior has two key implications for the statistical analysis of data on democratic survival. First, breakdown and consolidation are competing risks. As time progresses, transitional democracies either consolidate or break down and the fraction of transitional democracies among surviving democracies decreases. Figure 3 illustrates this dynamic. Crucially, given the limitations of large-N data, studies of democratic survival typically do not distinguish between consolidated and transitional democracies. In turn, surviving democracies are a mixture of transitional and consolidated democracies, where the latter survive arbitrarily long. Proper inference for such data must therefore account for the possibility that, as time progresses, a fraction of surviving democracies will no longer be at risk of a breakdown.[27]

The long-run equilibrium behavior in the present model also suggests a particular shape of the hazard rate of democratic breakdowns. Recall that in the empirically plausible case when any democracy starts as a transitional democracy, it takes $k > 0$ more policy failures than successes before a democracy falls into the trap of pessimistic expectations and breaks down. Thus, the hazard rate of democratic breakdowns will be zero during the first $k - 1$ periods. Thereafter, the hazard rate will be a mixture of hazard rates corresponding to the two incumbents' types. Because of the discrete nature of transition to the absorbing state of breakdown, the hazard rate may fluctuate sharply between neighboring time periods. However, it will be decreasing over a sufficiently large interval and converge to zero as all transitional democracies either consolidate or break down.[28] Hence the equilibrium behavior in our model suggests that statistical models for the analysis of democratic survival should allow for a hazard rate that is sufficiently flexible to describe a quick

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[26] In the supplementary appendix, I plot the simulated distribution of time to breakdown and consolidation. The former is close to its distribution in actual data.

[27] Svolik (2008) applied such techniques, known as cure rate or split-population models, to the data on democratic survival and found that a fraction of existing democracies is indeed consolidated and that the level of economic development raises the likelihood of consolidation, as implied by Proposition 4.

[28] The probability mass function of the time of democratic breakdowns follows a generalization of the stochastic process by which a sequence of Bernoulli trials ends after k more successes than failures.

FIGURE 3 **(Simulation-Generated) Distribution of Transitional, Consolidated, and Failed Democracies over Time (Left) and the Probability That a Surviving Democracy Is Consolidated (Right)**
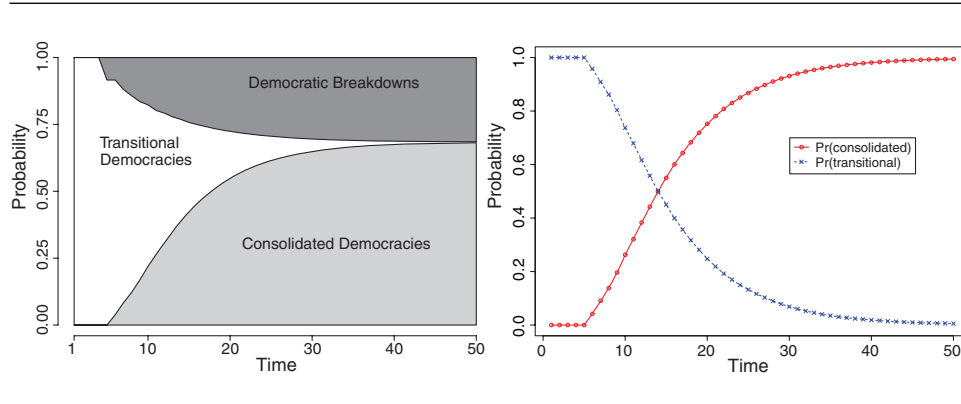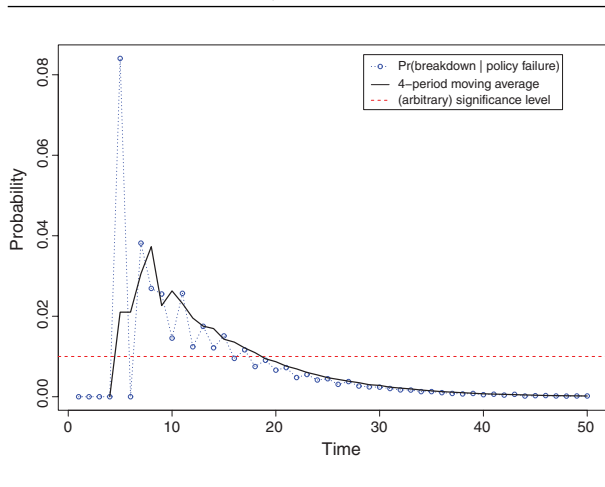

FIGURE 4 **Age of Democracy and the Probability That a Surviving Democracy Breaks Down after a Policy Failure (Simulation Generated)**

increase followed by a gradual decrease in the hazard rate of democratic breakdowns.[29] This dynamic is illustrated in Figure 4, which plots the hazard rate of democratic breakdowns after policy failures.

The long-run equilibrium behavior in the present model also predicts a previously unexamined relationship between economic downturns, the age of democracy, and the likelihood of democratic breakdowns. As Figure 4 illustrates, the probability that a surviving democracy breaks down after a policy failure converges to zero as a democracy grows older. If we adopt economic downturns as an indicator of policy failures, then the present model implies that the effect of an economic downturn on the probability of a democracy's breakdown will be *conditional* on its age: this effect should be positive and statistically significant early on in the life of a democracy but vanishing over time.[30] That is, the likelihoods of a democratic breakdown during economic downturns and expansions should be statistically indistinguishable from each other after some point in time. In Figure 4, the solid line that plots the four-period moving average of a surviving democracy's probability of breakdown can be viewed as a continuous-time approximation of the hazard of democratic breakdowns following policy failures implied by our model. We see that as a democracy ages, this hazard becomes indistinguishable from zero under an arbitrarily strict significance level.

As an initial step toward evaluating this proposition, I estimate an extension of the standard Cox survival model according to which the effect of economic growth on

[29]Among standard parametric survival models, the loglogistic, lognormal, and generalized gamma parameterizations of the hazard rate satisfy this requirement, but the Weibull does not. Estimates based the loglogistic, lognormal, and generalized gamma parameterizations indeed yield a hazard rate that is first increasing and then decreasing. The semiparametric Cox model does not impose any restrictions on the shape of the hazard rate and is thus most flexible. See, e.g., Box-Steffensmeier and Jones (2004, chapters 3 and 4).

[30]Economic downturns are only one among many plausible empirical indicators of policy failures. The rule of law, provision of public goods, or corruption would be more appropriate measures of policy outcomes as conceptualized in the model in the second section. I am focusing on economic downturns because they have been extensively employed in the empirical research on democratic transitions; see footnote 1.

the hazard rate of democratic breakdowns may change at an *unknown* point in time. I employ data on democratic survival that cover the period 1841–2007 and are based on the regime-type data compiled by Przeworski et al. (2000), Boix (2003), Cheibub, Gandhi, and Vreeland (2010), and my own coding. Consistent with our theoretical analysis, the results of this estimation suggest that economic downturns indeed raise the risk of breakdowns for young democracies, but that this effect becomes statistically insignificant once a democracy survives for about two decades. One advantage of this approach is that it does not make any assumptions about when the hypothesized change in the effect of economic growth on breakdowns occurs or whether it occurs at all—both are estimated. The results of this estimation are presented in the supplementary appendix.

The theoretical analysis in this article additionally suggests theoretical microfoundations for two empirical associations that have been extensively studied in the research on democratic transitions. First, a large literature studies the effect of public attitudes toward democracy on the survival of new democracies (see, e.g., Booth and Seligson 2009; Canache 2002; Norris 1999; Rose, Mishler, and Munro 2006). Consistent with this research, the mechanism that explains the failure of electoral accountability in the trap of pessimistic expectations implies that voters should be more dissatisfied with individual politicians or institutions during economic downturns (cf. Córdova and Seligson 2009.) Yet the present analysis also suggests that it is only in transitional democracies where such dissatisfaction should translate into disillusionment with democracy as a political system. By contrast, voters in consolidated democracies should correctly interpret poor government performance as the result of the uncertainty inherent in policymaking rather than the capture of electoral politics by a self-serving political class.

Second, our analysis implies that poor democracies will either take longer to consolidate or not consolidate at all. This prediction is consistent with a large body of empirical research that finds that high levels of economic development correlate with the survival of democracy (see, e.g., Boix and Stokes 2003; Lipset 1959; Przeworski et al. 2000). The present article suggests a theoretical microfoundation for this correlation: in poor democracies, where politics may be "the most profitable game in town," electoral competition may be flooded by candidates whose primary interest lies not in a long-lived political career but in the immediate, self-serving gain from holding a political office. In these circumstances, elections may fail as an instrument of accountability because career-oriented politicians will have a hard time develop-

ing reputations that would otherwise deter undesirable candidate types from competing for office.

This logic anticipates a previously underexplored empirical association between economic development and the quality of politicians in new democracies: as nonpolitical career opportunities improve with economic development, the political class in new democracies should be increasingly populated by career politicians (political activists, party members) instead of opportunistic entrants (celebrities, businesspeople). The existing empirical literature on the selection of politicians has studied mostly established democracies (Besley 2005; Mattozzi and Merlo 2011) or focused on the role of formal institutions, especially electoral systems (Birch 2003; Cox 1997). As in Gehlbach, Sonin, and Zhuravskaya (2010), the arguments here suggest that political selection may be central to the success of democratic consolidation and clarify how outside career opportunities and informal factors—like the stock of existing political reputations—shape the qualities of candidates who enter and exit from politics in new democracies.

Conclusion

Why would voters who only a few years earlier supported their country's struggle for democracy react with resignation when an incumbent seeks to subvert it? Consider Russia, where observers frequently attribute widespread indifference to Vladimir Putin's gradual return to authoritarianism to ordinary Russians' disenchantment with democracy under Boris Yeltsin.[31] Russia's GDP per capita declined by almost 40% between 1990 and 1999, from $2,602 to $1,614. Concurrently, ordinary Russians' support for democracy waned.[32] According to one survey, the proportion of Russians who would not mind if their parliament were closed down and parties abolished rose from 35 to 51% between 1990 and 2001.[33] Thus, the hardship and insecurity of Russia's posttransition experience

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[31] See, e.g., Steven L. Myers, "Russian Voter Disillusionment Seen in St. Petersburg Runoff," *The New York Times*, September 30, 2003; Susan B. Glasser, "Russia's Democrats Face Prospect of Irrelevance," *The Washington Post*, November 14, 2003; and Clifford J. Levy, "Why Russians Ignore Ballot Fraud," *The New York Times*, October 24, 2009.

[32] The data on GDP per capita are from the World Bank (2008).

[33] The survey question is "If parliament was closed down and parties abolished, would you approve?" and it comes from the New Europe Barometer Surveys (Rose 1999–2001). I am intentionally reporting a question that asks about an attitude toward institutions essential to democracy *without* using the word "democracy."

appear to have indeed contributed to ordinary Russians' acquiescence to authoritarianism.

This article clarifies why a new democracy's posttransition performance critically shapes mass attitudes toward not only individual politicians but also democracy as a political system. The burden on elections as an instrument of political accountability is much greater in new than established democracies. After a transition to democracy, the door to politics is wide open: politicians have yet to form reputations, a condition that facilitates the entry into politics of not only career politicians but also those who see this period as their "one-time opportunity to get rich." The success of electoral accountability therefore critically depends on voters' evolving perceptions about whether electoral competition can in fact discourage undesirable types of politicians from staying in politics. By examining the interdependence between those perceptions, voters' incentives to critically evaluate government performance and politicians' incentives to perform well in office, this article generates several insights into the challenges to the consolidation of new democracies.

First, a new democracy's performance immediately after its transition to democracy exerts disproportionate influence over its future political trajectory. Early policy successes create a cushion that helps a new democracy weather poor performance in the future, thus facilitating its consolidation. By contrast, after repeated policy failures, voters may conclude that "all politicians are crooks" and "democracy does not work." Crucially, such pessimistic expectations are more than just everyday frustration with democratic politics. When espoused by a sizeable fraction of the electorate, these expectations are self-perpetuating and represent an existential danger for a new democracy. They dampen the public's willingness to defend democracy against attempts to subvert it, thus eliminating a key check on politicians or groups with authoritarian ambitions.

Second, and as implied by the above logic, the descent into the trap of pessimistic expectations may undermine democratic stability even if formal democratic institutions remain intact. Thus, when they occur, transgressions against key procedural or institutional tenets of democracy should be seen as the symptoms of an impending democratic breakdown, not its underlying causes. An incumbent who curbs rights and fixes elections amidst widespread ambivalence about democracy does so *because* he anticipates quiescent resignation instead of vocal opposition. The descent into the trap of pessimistic expectations thus represents a distinctive, intrinsic vulnerability of electoral accountability in new democracies.

Third, this article suggests that the principal difference between new and established democracies is not

in their formal institutions. Here, a key developmental deficiency of new democracies is the absence of an intangible, historically contingent asset—established political reputations. When lacking, reputations cannot serve as barriers to the entry of low-quality candidates, allowing for the actual or perceived capture of democratic politics by self-serving politicians.

New democracies should therefore benefit from the strengthening of those institutional mechanisms that compensate for the absence of established reputations and facilitate their formation. For instance, elections that occur in multiple stages and levels—typically in federal systems—allow for the formation of reputations even amidst public skepticism about the character of politicians (Myerson 2006); the separation of powers and term limits may prevent a total or permanent capture of democratic institutions by a single politician or group; and assistance to new democracies that empowers the civil society and independent media may help voters to evaluate candidates' performance with lesser effort and greater precision. Meanwhile, political parties, subnational elections, and primaries have the potential to limit the entry of low-quality candidates into politics by acting as institutional gatekeepers. However, in the period after a transition to democracy, such institutions are frequently underdeveloped and may be captured by the very types of candidates whose entry they are supposed to restrain (Grzymała-Busse 2007). More critically, even in a favorable institutional setting reputations take time to form. The arguments in this article thus clarify not only the potential but also the limits to the contribution of constitutional design to democratic consolidation.

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Supporting Information

Additional Supporting Information may be found in the online version of this article at the publisher's web site:

Figure A1: The timing of moves in the accountability game in Section 2.2

Figure A2: The incumbent's and challenger's expected per-period payoffs if the voter acquiesces in the trap of pessimistic expectations

Figure A3: Simulated distribution of time to breakdown and consolidation

Figure A4: Empirical distribution of the survival time of currently existing and failed democracies, 1789-2008

Table A1: Descriptive statistics of covariates in the change-point analysis of democratic survival

Table A2: The time-dependent effect of economic decline on the hazard of democratic breakdowns